PENDAL

Factsheet

Global Equities

31 May 2025

Barrow Hanley Concentrated Global Share Fund No. 2

Formerly known as “Pendal Concentrated Global Share Fund No.2”

ARSN: 089 938 492

About the Fund

The Barrow Hanley Concentrated Global Share Fund No.2 (**Fund**) is an actively managed concentrated portfolio of global shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI World ex-Australia (Standard) Index (Net Dividends) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

Description of Fund

The Fund is designed for investors who want the potential for long term capital growth from a portfolio of quality global shares, diversified across a broad range of global sharemarkets (including Australia) and are prepared to accept higher variability of returns.

The Fund will primarily invest in companies incorporated in developed markets and may hold up to 20% of the portfolio in companies incorporated in emerging markets. The Fund may also hold cash.

Barrow Hanley strives to achieve the Fund’s objectives by adopting a value-oriented, bottom-up investment process focused on in-depth fundamental research to identify companies that trade below their intrinsic value for reasons that they can identify, believe are temporary and have a clearly identified path to achieving fair value.

Barrow Hanley aims to select the most attractive securities to construct a well-diversified, active portfolio that seeks to provide asymmetrical returns by participating in up markets while aiming to protect in down markets. The Fund will exhibit a clear value bias and seek characteristics such as:

- price/earnings ratios below the market;
- price/book ratios below the market;
- enterprise value/free cash flow ratios below the market; and
- dividend yields above the market.

The Fund will typically hold between 25-40 stocks.

The Fund has assets that are denominated in foreign currencies. This means that changes to the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. Generally, these currency exposures will not be hedged to the Australian dollar but Pendal may do so from time to time, by using derivatives. Pendal does not intend to use currency trading as an additional source of Fund returns.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives may also be used to gain exposure to assets and markets.

The Fund applies exclusionary screens. For more information on how these exclusions are applied and exclusions from 2 September 2024, refer to section 5 ‘How we invest your money’ of the Fund’s Product Disclosure Statement at www.pendalgroup.com/BarrowHanleyConcentratedGlobalShareFundNo2-PDS.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	2.52	2.60	5.34
3 months	-1.23	-1.01	-1.43
6 months	1.62	2.08	3.51
1 year	9.34	10.33	17.60
2 years (p.a)	9.34	10.32	19.64
3 years (p.a)	11.10	12.10	17.51
5 years (p.a)	13.04	14.05	14.93
Since Inception (p.a)	6.55	7.67	8.65

Source: Pendal as at 31 May 2025

“Post fee" returns assume reinvestment of distributions and is calculated using exit prices. “Pre-fee” returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: October 1992.

Past performance is not a reliable indicator of future performance.

The investment manager for this Fund changed on 31 May 2025. Performance before this date may not be directly comparable.

Country Allocation (as at 31 May 2025)

United States	57.2%
France	8.4%
United Kingdom	7.9%
Germany	5.0%
Canada	4.4%
Brazil	4.4%
China	3.6%
Israel	3.2%
Japan	2.0%
Norway	1.4%
Cash & other	2.3%

Sector Allocation (as at 31 May 2025)

Energy	7.5%
Materials	5.7%
Industrials	12.8%
Consumer Discretionary	8.9%
Consumer Staples	3.1%
Health Care	11.7%
Information Technology	15.4%
Telecommunication Services	1.4%
Utilities	5.9%
Financials ex Property Trusts	16.9%
Property Trusts	8.6%
Cash & other	2.0%

Top 10 Holdings (as at 31 May 2025)

BAE Systems PLC	4.7%
Bank of Nova Scotia/The	4.4%
Sanofi SA	4.1%
American International Group Inc	3.7%
Newmont Corp	3.6%
Infineon Technologies AG	3.5%
Merck & Co Inc	3.4%
Vinci SA	3.2%
National Grid PLC	3.2%
Nice Ltd	3.2%

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee[1]	0.90% pa

[1] This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

Other Information

Fund size (as at 31 May 2025)	$50 million
Date of inception	October 1992
Minimum investment	$500,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	RFA0821AU

[2] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Market Overview

The month of May continued with the trend of investors observing significant and shifting economic data, geopolitical headlines, and policy uncertainty that is starting to look like the norm for 2025. The rapid news flow regarding U.S. tariffs were met with more muted market reactions than April as investors are adjusting to some uncertainty. Even with the tariffs as a backdrop, global markets rallied with the U.S. leading other developed regions. Additionally, growth continued to gain momentum from April and outperformed value, reversing the trend observed in the first quarter, erasing most of the large relative losses from the first three months. Another early year trend that took a pause was developed and emerging markets outperforming U.S. equities due to the fact that the U.S. has a higher weight in growth sectors like Information Technology, although all major regions were up during the month. President Trump and his administration continue disrupting the status quo, causing market volatility to spike in conjunction with policy uncertainty. It is not surprising that in this environment, the largest country by weight, the U.S., is lagging the rest of the world year-to-date in spite of being a relative outperformer in May. For the month, the MSCI World and MSCI All Country World indices were up 5.9% and 5.8%, respectively. Similar to last month, value lagged growth in the month as the MSCI World Value Index underperformed its growth counterpart by over 560 basis points (bps) in U.S. dollar terms for the month, bringing the QTD total to 1,051 bps. However, outperformance year-to-date remains as the MSCI World Value Index is still ahead of the MSCI World Growth Index by over 300 bps but lagging on the trailing one-year by nearly 600 bps.

The big news in North America was not economic data, but the continued ramifications of tariffs on the economies of the U.S., Canada, and Mexico. The nature, magnitude, and sectors under tariffs, along with corresponding exemptions, has damaged North American trade. U.S. markets experienced volatility in May but ultimately posted gains as the S&P 500 Index recovered above its pre-tariff announcement level by early May. Markets were buoyed by the announcement of a 90-day trade agreement with China that significantly reduced tariffs on both sides, easing recession fears, that has since all but fallen apart over rare earth mineral disputes already disrupting the automotive market. Economic data presented a mixed picture, with preliminary Q1 GDP falling to -0.3% quarter-over-quarter, the lowest reading since Q1 2022, while April's flash PMIs improved and new home sales showed strength. Labor market signals were concerning, with weekly jobless claims reaching their highest level since October and continuing claims hitting a three-and-a-half year high. However, the Atlanta Fed's GDP Now number for Q2 is already above 4% growth, reflecting the noise in numbers from tariff pull forward and uncertainty (the net exports component of GDP). The AI theme remained relevant, driving growth higher. Despite overall challenges, consumer confidence jumped in May, increasing for the first time in five months amid easing trade pessimism. The U.S. Federal Reserve (the Fed) maintained its pause for interest rate cuts, with the upcoming jobs report an important indicator for the Fed after the ADP private payrolls report showed tepid growth for May.

The Trump administration appeared to reach a deal with China earlier in the month, as noted above, as tariffs were reduced from over 100% to 35%. However, the fate of the 90 day pause in extreme tariffs appears tenuous as the rare earth minerals dispute between the two countries is heating up and is China's best way to defend itself against tariffs. Even a 35% tariff rate on all Chinese products, mixed with sectoral tariffs on steel of 50%, are still negative for China and certainly a drag on GDP. However, fiscal, monetary, and moderate currency depreciation policies could potentially mitigate much of the impact, especially given the size of the Chinese economy. This started to show up in some numbers as Chinese as the YiCai High Frequency Economic Activity Index began to pick up during May (although the consumer goods trade-in program may start experiencing diminishing returns). The Chinese government has been shifting the economy toward domestic manufacturing, high-tech investments, and consumption support. Since September 2024, the government has pivoted to support growth through moderately loose monetary policy, proactive fiscal policy to stabilize the property market, and measures to boost domestic consumption. Interestingly, the Chinese equity market had been strong in the face of tariffs except for April, as the MSCI China Index is up 13.1% (USD) for the year and was positive for the month. In Brazil, GDP grew at 1.4% fueling hopes for higher growth to close out the year. The market was relatively muted during the month but is up +19.9% for the year as measured by the MSCI Brazil Index.

European economies started to show some signs of life before the tariff announcement of 20% on the eurozone and 10% on the UK, which was subsequently paused for 90 days substituting in the minimum flat 10% rate. While these tariffs are currently being litigated, there are other statutory options available to the Trump Administration that make the persistence of EU tariffs likely if that is a long-term goal for the administration. Europe has been adjusting to a worldview within the continent that the U.S. will be less reliable going forward, both as a trading partner and defensive shield. The latest confirmatory piece of news is newly elected German Chancellor Friedrich Merz announcing he wants to work closely with Ukraine on developing long-range missiles produced in Europe. European equities remain strong as the MSCI Europe ex-UK Index up +4.6%, while the MSCI UK Index was up 4.4%, bringing the year-to-date totals to +21.5% and 17.6%, respectively. While the challenges facing European economies are not new, it appears that European governments are recognizing that the absence of a pro-growth agenda has been detrimental relative to the rest of the world and appear more willing to pursue pro-growth reforms going forward. While it seems like a long time ago, the argument between Presidents Trump and Zelensky in February did create a renewed sense of European unity, and Ukraine's surprise drone attack or Russian bombers around the country seemed to inspire some hope. European economies still face challenges from the demand side for European goods, leaving the European Central Bank (ECB) to cut rates again on June 5th, leaving it with a relatively low target rate of 2% in search of economic revival. The UK saw a similar rate cut in May down to 4.25% as growth remains tepid.

As we have seen over the past two years, a growth month dampened market breadth, as only four of the 11 sectors in the MSCI World Index outperformed during May. The Health Care sector was by far the worst performer, down -3.6% as U.S. insurance companies faced higher utilization, and pharmaceutical companies face sectoral tariffs from the U.S. The Consumer Staples, Energy, Financials, Materials, Real Estate, and Utilities sectors underperformed the MSCI World Index, but were in positive territory. The three growthiest sectors with mega-cap champions – Consumer Discretionary (i.e., Amazon), Information Technology (i.e., Microsoft and NVIDIA), and Communication Services (i.e., Alphabet and Meta)– all outperformed the index. The Industrials sector also outperformed during the month.

Strategy Performance

In this market environment, the Barrow Hanley Concentrated Global Value Equity Strategy underperformed the MSCI World Ex.-Australia Index in May, a giveback of gains from the first quarter, while outpacing the value index. Both the impact from sector allocation and stock selection were relative headwinds against the benchmark this month. Underweights to the Information Technology and Communications Services sectors, along with an overweight to Real Estate, explain a significant portion of the underperformance. Stock selection within the Industrials, Energy, and Consumer Discretionary sectors positively contributed to relative returns while stock selection within the Communication Services, Information Technology, and Health Care sectors detracted from relative returns. Regionally, allocation impacts were modestly positive. Stock selection within the U.S. was negative, while stock selection in the UK positively contributed to relative returns.

Top Contributors

Carnival Corporation positively contributed to relative returns in May as it recovered from fears earlier in the year surrounding the macroeconomic environment. The company executed on a strategic financial initiative during the month by completing a $1 billion private offering of 5.875% senior unsecured notes, which it used to redeem $993 million of outstanding 7.625% notes due in 2026. This saves the company $20 million per year in interest costs. Coupled with sustained lower oil prices, Carnival outperformed during the month.

Microchip Technology Inc. positively contributed to relative performance in May after encouraging Q1 results and a positive Q2 outlook, signaling a potential turning point in its revenue trajectory. Despite a modest sequential revenue decline, results exceeded expectations, and management highlighted improving bookings and inventory reductions as signs of stabilization. The company anticipates stronger performance, with revenue growth, margin expansion, and continued progress on inventory and cost control initiatives. Aerospace and defense emerged as the fastest-growing end market, supported by increased global defense spending, while long-term financial targets remain ambitious with a focus on margin improvement and earnings power. However, uncertainties around tariff-related demand shifts and broader economic conditions remain key watchpoints for the coming quarters.

Top Detractors

Merck & Co., Inc. detracted from relative performance during the month as it navigated a complex landscape marked by regulatory headwinds and market volatility during the period. U.S. policy developments, including proposed drug pricing reforms by HHS and CMS, pose potential risks to Merck's pricing strategy and long-term margins, particularly for flagship therapies like Keytruda. The company also faces operational challenges, such as the suspension of GARDASIL shipments to China and the looming threat of biosimilar competition for Keytruda by late 2028. Despite these pressures, Merck reported meaningful clinical progress, including a successful Phase 3 trial in ovarian cancer and the launch of another in esophageal carcinoma. These advancements underscore Merck's continued investment in innovation as it prepares for a more competitive and regulated market environment.

Sanofi SA detracted from relative performance during the month as it experienced a mix of setbacks and strategic developments during the period. A key pipeline candidate failed to meet expectations in one of two late-stage trials for a respiratory condition, leaving its future uncertain pending further data and regulatory discussions. In parallel, Sanofi is preparing for a major product launch in respiratory care and made a large acquisition of Blueprint Medicine for $9B to strengthen its immunology and rare disease portfolio. Given the elongated nature of pipeline opportunities and a large acquisition, we are closely monitoring the company.

Portfolio Changes

There were no significant changes to positioning during the month.

Market Outlook

The persistent political changes across the globe continue to drive markets, with tariffs now topping the list. However, the long-term impacts are far from certain, as ideology will ultimately clash with political reality. The pace of change in equity markets mixed with high volatility from tariffs is a unique situation relative to previous market selloffs. In this case, all of the negative news could change overnight if President Trump changes his mind on the direction of tariffs, which is what happened when he announced a 90 day pause.

Markets continue to expect rate cuts going forward (except in the U.S. near-term), but the pace and magnitude remain a question, especially given the political context. While the market expected more cuts, the interplay between economic strength and the labor market led the Fed to pause rate cuts. A few areas to watch in the U.S. going forward are policy initiatives, tariffs, jobs, ambitions to project power abroad, CAPEX, and whether the labor market, trade policy, or economy take center stage as the Fed idles.

We are also mindful that the geopolitical factors which are ever present, i.e., tariffs, war in Ukraine, Middle East conflicts, India and Pakistan, recent elections in Europe, the U.S., Canada, and South America, markets are likely to remain more volatile as they adjust to changing economic conditions and policy goals (tariffs are just the latest example). We believe that markets are likely to remain in this pattern until there is some visibility for several of these issues.

In light of the current market dislocation driven by fear that newly announced higher tariffs could lead to a global recession, we continue to implement our investment process. As macro issues tend to swing markets up and down, it is important to remember that the best time to find value is when markets are either fearful or exuberant about a small opportunity set and are ultimately overlooking good companies with solid operating fundamentals. The strength of our investment proposition is our ability to identify dislocations within the market and find those specific securities that have been dislocated for reasons that do not impair their long-term fundamental strength. As we continue to apply our investment process, we believe our current portfolio is well positioned to provide strong investment results going forward, and we are mindful in these tumultuous periods that opportunities will present themselves of which we will be prepared to take advantage. Thank you for your continued support of Barrow Hanley and our Concentrated Global Value Equity strategy.

For more information please call **1300 346 821**,
contact your key account manager or visit **pendalgroup.com**

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